

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**Agenda ID 12222
RESOLUTION E-4604
July 25, 2013**

**REDACTED
RESOLUTION**

Resolution E-4604. Golden State Water Company (GSWC) on behalf of Bear Valley Electric Services (BVES) requests approval of a purchase and sale agreement to purchase renewable energy credits from Iberdrola Renewables, LLC.

PROPOSED OUTCOME: This Resolution approves a BVES purchase and sale agreement for renewable energy credits with Iberdrola Renewables, LLC.

SAFETY CONSIDERATIONS: The purchase and sale agreement between GSWC and Iberdrola Renewables, LLC approved by this resolution has terms and conditions which assert that Iberdrola and GSWC are not and will not be in violation any applicable law, rule, or regulation throughout the performance of the purchase and sale agreement. Because this agreement contains the above referenced terms and do not require a change in BVES energy portfolio or facility operations, there are no incremental safety implications to BVES' facilities and customers associated with approval of these agreements beyond the status quo.

ESTIMATED COST: Costs of the purchase and sale agreement are confidential at this time.

By Advice Letter 277-E filed on February 12, 2013.

SUMMARY

Golden State Water Company's proposed purchase and sale agreement (PSA) for renewable energy credits with Iberdrola Renewables, LLC comply with the Renewables Portfolio Standard (RPS) procurement guidelines and are approved without modifications.

Golden State Water Company (GSWC) on behalf of Bear Valley Electric Services (BVES) filed Advice Letter (AL) 277-E on February 12, 2013 requesting Commission review and approval of an EEI Master Power Purchase and Sale Agreement, the associated Cover Sheet, Collateral Annex, REC Annex, Parent guaranty, RECs Confirmation No. 1 and RECs Confirmation No. 2 (collectively, purchase and sale agreement (PSA)) executed with Iberdrola Renewables, LLC (Iberdrola) for renewable energy credits (RECs).¹ The PSA is the result of BVES' request for proposals and provides unbundled RECs from the RPS-eligible facilities located within the Western Electricity Coordinating Council (WECC) region.

The following table summarizes the Confirmation No. 1 and Confirmation No. 2 of the PSA:

Contract	Generating Facilities	Project Technology Type	Minimum Energy (GWh)	Contract Delivery Start Date	Project Location
Confirmation No. 1	Various	Various	29.5 – 115.94	Day after CPUC approval	WECC
Confirmation No. 2	Various	Various	0 – 15.85	Day after CPUC approval	WECC

This resolution approves the Iberdrola PSA without modifications. The proposed PSA is consistent with BVES' 2012 RPS Procurement Plan. The RECs procured under the PSA are reasonably priced and payments made by BVES pursuant to the PSA are fully recoverable in rates over the life of the PSA, subject to BVES' administration of the PSA.

This resolution also approves BVES' request to modify Resolution E-4507 with regards to the contract approved in Resolution E-4507 and the rules regarding the long-term contracting requirement and satisfying prior RPS deficits adopted by the Commission in D.12-06-038. Additionally, this resolution approves

¹ BVES is a division of GSWC.

GSWC's request for BVES to establish a separate memorandum account with respect to the PSA considered herein.

BACKGROUND

Overview of the Renewables Portfolio Standard (RPS) Program

The California RPS program was established by Senate Bill (SB) 1078, and has been subsequently modified by SB 107, SB 1036, and SB 2 (1X).² The RPS program is codified in Public Utilities Code Sections 399.11-399.31.³ Under SB 2 (1X), the RPS program administered by the Commission requires each retail seller to procure eligible renewable energy resources so that the amount of electricity generated from eligible renewable resources be an amount that equals an average of 20 percent of the total electricity sold to retail customers in California for compliance period 2011-2013; 25 percent of retail sales by December 31, 2016; and 33 percent of retail sales by December 31, 2020.⁴ Additional background information about the Commission's RPS Program, including links to relevant laws and Commission decisions, is available at <http://www.cpuc.ca.gov/PUC/energy/Renewables/overview.htm> and <http://www.cpuc.ca.gov/PUC/energy/Renewables/decisions.htm>.

NOTICE

Notice of AL 277-E was made by publication in the Commission's Daily Calendar. GSWC states that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

² SB 1078 (Sher, Chapter 516, Statutes of 2002); SB 107 (Simitian, Chapter 464, Statutes of 2006); SB 1036 (Perata, Chapter 685, Statutes of 2007); SB 2 (1X) (Simitian, Chapter 1, Statutes of 2011, First Extraordinary Session).

³ All further references to sections refer to Public Utilities Code unless otherwise specified.

⁴ D.11-12-020 established a methodology to calculate procurement requirement quantities for the three different compliance periods covered in SB 2 (1X) (2011-2013, 2014-2016, and 2017-2020).

PROTESTS

No protests were received.

DISCUSSION

GSWC requests on behalf of BVES approval of a PSA for renewable energy credits with Iberdrola Renewables, LLC

On February 12, 2013, GSWC filed AL 277-E, on behalf of BVES, requesting Commission approval of a PSA with Iberdrola for RECs from various RPS-eligible facilities.⁵ The RECs purchased pursuant to the PSA are associated with power generated at one or more facilities that are certified by the California Energy Commission as eligible renewable energy resources. The specific facilities that will generate the RECs are not identified in the PSA.

Confirmation No. 1 of the PSA requires BVES to purchase a certain number of RECs for each year of the PSA. The specific amounts are listed in Table 1, below.

Table 1: RECs to be purchased by BVES pursuant to Confirmation No. 1

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
RECs	115,944*	29,515	32,391	35,128	38,384	41,074	43,796	46,694	46,675	46,633	46,654

*Includes pre-2011 volume of 37,692 RECs

Confirmation No. 2 provides an option, but not an obligation, for BVES to purchase up to a certain number of RECs each year of Confirmation No. 2. The specific amounts are listed in Table 2, below.

Table 2: RECS that may be purchased by BVES pursuant to PSA 2

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
RECs	15,846	3,140	3,446	3,737	4,079	4,370	4,659	4,967	4,965	4,961	4,963

⁵ BVES is a division of GSWC.

The PSA is the result of a request for proposals that BVES issued in June 2012, and the agreements were executed in December 2012. BVES anticipates that the RECs procured pursuant to the PSA will meet its pre-2011 RPS procurement deficits as well as all of its current and future RPS requirements through 2023.⁶

BVES requests that the Commission issue a resolution that:

1. Approves the PSA in its entirety, including payments to be made by BVES pursuant to Confirmation No. 1 and Confirmation No. 2, subject to the Commission's review of BVES' prudent administration of Confirmation No. 1 and Confirmation No. 2.
2. Finds that any procurement pursuant to Confirmation No. 1 and Confirmation No. 2 is procurement from an eligible renewable energy resource for purposes of determining BVES' compliance with any obligation that it may have to procure eligible renewable resources pursuant to the California Renewables Portfolio Standard ("RPS"), D.03-06-071, D.06-10-050 and D.11-12-050 or other applicable law or decision.
3. Finds that all procurement and administrative costs, as provided in Section 399.13(g), associated with the PSA shall be recovered in rates.
4. Finds that with respect to the short-term RPS contract approved by the Commission in Resolution E-4507, that neither the short-term contracting rules established in D.07-05-028 nor the short-term contracting rules established in D.12-06-038 apply to such short-term RPS contract provided that BVES applies the RECs procured under such short-term RPS contract to BVES' net RPS deficits.
5. Finds that BVES may use RECs obtained under the short-term RPS contract approved in Resolution E-4507 to satisfy RPS requirements in compliance period 2011 because the PSA satisfies the provisions of Section 3.4 of D.12-06-038 for authorization to use short-term RPS contracts.

⁶ The procurement of BVES may count for RPS compliance without regard to the limitations on the use of each portfolio content category, so long as all other procurement requirements for compliance with the California RPS are also met. (D.11-12-052, Ordering Paragraph 17)

6. Adopts the following finding of fact and conclusion of law in support of Commission approval:
 - a. Confirmation No. 1 and Confirmation No. 2 are consistent with BVES' RPS Procurement Plan.
 - b. The terms of the Agreement, including Confirmation No. 1 and Confirmation No. 2, and the price of delivered RECs thereunder, are reasonable.
7. Adopts the following finding of fact and conclusion of law in support of cost recovery for RECs purchased under Confirmation No. 1 and Confirmation No. 2:
 - a. BVES' procurement costs under Confirmation No. 1 and Confirmation No. 2 shall be recovered through BVES' Power Purchase Adjustment Clause or any succeeding energy supply account approved by the Commission.⁷
8. Adopts the following findings with respect to resource compliance with the Emissions Performance Standard ("EPS") adopted in R.06-04-009:
 - a. Confirmation Nos. 1 and 2 are not covered procurement subject to the EPS because they do not involve procurement of electric energy.
9. Authorizes the establishment of a new, non-interest bearing memorandum account with respect to Confirmation No. 1 and Confirmation No. 2 by adopting the following language:
 - a. BVES shall establish a non-interest bearing memorandum account to record unrealized gains and losses with respect to Confirmation No.1 and Confirmation No. 2 of the Agreement ("Iberdrola REC Memorandum Account") to address the financial reporting impacts of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities".

⁷ In BVES' General Rate Case, A.12-02-013, BVES has requested that the Purchase Power Adjustment Clause be renamed the "Supply Adjustment Mechanism." See BVES Exhibit No. 6 (Volume 6 - Cost Allocation and Rate Design), p. 76, lines 16-17 of A.12-02-013. The functioning of the account largely remains the same.

- b. BVES shall file a Tier 1 advice letter proposing specific language for the establishment of the Iberdrola REC Memorandum Account, which language shall be similar to language previously used to establish similar memorandum accounts in D.09-05-025 and D.11-06-030.

Energy Division Review of the Proposed PSA

Energy Division evaluated the PSA for the following criteria:

- Consistency with BVES' 2012 RPS Procurement Plan;
- BVES RPS Procurement Portfolio Need;
- Consistency with the Commission's least-cost best-fit requirements;
- Consistency with RPS standard terms and conditions (STC);
- Consistency with portfolio content categories requirements;
- Consistency with renewable energy credits (REC) rules;
- Consistency with long-term contracting requirements;
- Cost reasonableness;
- Compliance with the Interim Greenhouse Gas Emissions Performance Standard; and
- Contract viability.

Consistency with BVES' 2012 RPS Procurement Plan

Pursuant to statute, BVES' RPS Procurement Plan (2012 Plan) includes: an assessment of supply and demand; description of potential RPS compliance delays; status update of projects within its RPS portfolio; and an assessment of the project failure and delay risk within its RPS portfolio.

Specifically, BVES states in its 2012 RPS Plan that it will use RECs to meet its RPS obligations. BVES notes that unbundled RECs could more easily be incorporated into its supply portfolio and present a least-cost, best fit option for BVES to comply with its RPS requirement. The PSA is for unbundled RECs that are to be generated by RPS-certified facilit(ies) that fit BVES' RPS resource needs. Thus, the PSA is consistent with BVES' 2012 RPS Plan.

BVES RPS Procurement Portfolio Need

As noted in its 2011 Preliminary Annual 33% RPS Compliance Report⁸, BVES has a deficit with respect to pre-2011 RPS requirements and a need for additional renewable energy and RECs in the current and future RPS compliance periods. Specifically, BVES currently has two Commission-approved RPS contracts with Los Angeles County Sanitation District (LACSD), which represent only 9.6 percent of BVES' 2011 retail sales. In AL 277-E, BVES states that it anticipates that the Iberdrola PSA will meet all of its RPS deficits and requirements through 2023.⁹

Consistency with the Commission's least-cost best-fit (LCBF) requirements

In D.04-07-029, the Commission directs the utilities to use certain criteria in their LCBF selection of renewable resources.¹⁰ The decision offers guidance regarding the process by which the utility ranks bids in order to select or "shortlist" the bids with which it will commence negotiations. In D.10-03-021, as modified by D.11-01-025, the Commission notes that LCBF evaluation of REC-only transactions will be considered in Rulemaking (R.)11-05-005, and until such a consideration takes place the utilities should explain in their advice letters seeking approval of REC-only contracts their methodology for evaluating the contracts.

In AL 277-E, BVES explains that it compared the bids received from its June 2012 request for proposals (RFP) based on price and fit with BVES' resource portfolio. BVES asserts that the combination of price and optionality offered by Iberdrola represents the LCBF option for BVES ratepayers.¹¹ See the "Cost Reasonableness" section and Confidential Appendix A of this resolution for a discussion of how the PSA's price compares to BVES' RPS solicitations that occurred prior to the PSA's execution.

The PSA was evaluated using a least-cost, best fit methodology.

⁸ BVES' 2011 Preliminary Annual 33% RPS Compliance Report was submitted, as required, to the Commission in December 2012.

⁹ AL 277-E, p. 3

¹⁰ See §399.14(a)(2)(B)

¹¹ AL 277-E, p. 9.

Consistency with RPS Standard Terms and Conditions

The Commission adopted a set of standard terms and conditions (STCs) required in RPS contracts, six of which are considered “non-modifiable.” The STCs were compiled in D.08-04-009 and subsequently amended in D.08-08-028. More recently in D.10-03-021, as modified by D.11-01-025, the Commission further refined these STCs.

The PSA includes all of the Commission adopted RPS “non-modifiable” standard terms and conditions, as set forth in D.08-04-009, D.08-08-028, and D.10-03-021, as modified by D.11-01-025.

Consistency with Portfolio Content Categories

In D.11-12-052, the Commission defined and implemented portfolio content categories for the RPS program. In addition, the decision authorized the Director of Energy Division to require the investor-owned utilities to provide information regarding the proposed contract’s portfolio content category classification in each advice letter seeking Commission-approval of an RPS contract. The purpose of the information is to allow the Commission to evaluate the claimed portfolio content category of the proposed RPS contract and the risks and value to ratepayers if the proposed contract is subsequently classified as a different portfolio content category. D.11-12-052 also affirmed that small and multi-jurisdictional utilities meeting the criteria set out in Section 399.18(b) and Section 399.17(b) are not subject to the requirements and limitations of procurement from each portfolio content category.

In AL 277-E, BVES claims that the procurement pursuant to the PSA will be classified as Portfolio Content Category 3. To support its claim, BVES states that the products being purchased are unbundled RECs and that the RECs will be associated with energy generated from certified RPS-eligible facilit(ies).

Consistent with D.11-12-052, BVES provided information in AL 277-E regarding the expected portfolio content category classification of the renewable energy credits procured pursuant to the PSA.

In this resolution, however, the Commission makes no determination regarding the proposed agreements’ portfolio content category classification because RPS contract evaluation process is a separate process from the RPS compliance determination and portfolio content category classification which requires

consideration of several factors based on various showings in a compliance filing.¹² Thus, making a portfolio content classification determination in this resolution regarding the procurement considered herein is not appropriate. BVES should incorporate the procurement resulting from the PSA and all applicable supporting documentation to demonstrate portfolio content category classification in the appropriate compliance showing(s) consistent with all applicable RPS program rules.

Consistency with Commission rules regarding Renewable Energy Credits

In D.10-03-021, as modified by D.11-01-025, the Commission authorized the procurement and use of unbundled RECs for compliance with the California RPS program. The decision also established a temporary price cap of \$50/REC and requirements for advice letters requesting approval of REC contracts.¹³ The PSA's prices are below the temporary \$50/REC price cap.

Consistency with Long-Term Contracting Requirement

D.12-06-038 established a minimum quantity condition on the ability of retail sellers to count an eligible contract of less than 10 years duration for compliance with the RPS program.¹⁴ In order for the procurement from any short term contract signed after June 1, 2010 to count for RPS compliance the retail seller must meet the following requirements for expected generation from long term contracts signed in the compliance period in which the short term contracts are signed. The volume of expected generation in the long-term contract(s) must be sufficient to cover the volume of generation from the short-term contract(s).¹⁵

¹² D.11-12-052, pp. 8, 12.

¹³ The REC price cap is a limit on the maximum that may be paid for unbundled RECs to be used for RPS compliance; it is not a REC price reasonableness benchmark. The REC price cap limit will sunset December 31, 2013. (See, Ordering Paragraphs 19 and 21 of D.10-03-021, as modified by D.11-01-025.) Advice letter requirements include information on the facilities providing the RECs, information on an IOU's REC portfolio, and price comparisons of the RECs. (See, Ordering Paragraph 32 of D.10-03-021, as modified by D.11-01-025.)

¹⁴ For the purposes of D.12-06-038, contracts of less than 10 years duration are considered "short-term" contracts.

¹⁵ Pursuant to D.12-06-038, the methodology setting the long-term contracting requirement is: 0.25% of Total Retail Sales in 2010 for the first compliance period; 0.25% of Total Retail Sales in 2011-2013 for the second compliance period; and 0.25% of Total Retail Sales in 2014-2016 for the third compliance period.

Because the PSA is 10 years in duration the PSA will contribute towards BVES' RPS long-term contracting requirement established in D.12-06-038.

Cost Reasonableness

The Commission's reasonableness review for RPS contract prices includes comparisons of proposed contracts to recent RPS solicitations and contracts executed in the 12 months prior to the proposed contracts execution date. Applying this analysis and the confidential analysis provided by GSWC in AL 277-E, the Commission determines that the PSA's costs are reasonable. However, BVES' and the Commission's methodology for determining cost reasonableness of the REC transaction in this resolution is not precedent setting. As noted above in this resolution, LCBF evaluation of REC contracts is under consideration in R.11-05-005, which could provide additional or different rules for determining cost reasonableness in the future. For more information on the cost reasonableness analysis see Confidential Appendix A for a detailed discussion.

The total expected costs of the PSA are reasonable based on the PSA's prices relative to BVES' solicitation and recently executed contracts.

Provided that the RECs are from an eligible renewable energy resource, payments made by BVES pursuant to the PSA are fully recoverable in rates over the life of the PSA, subject to Commission review of BVES' administration of the PSA.

Contract Viability

As stated above, the actual facilities that will generate the RECs procured pursuant to the PSA considered herein have not been identified. Iberdrola has a number of renewable energy generating facilities located in the WECC, however.¹⁶ Thus, while some of the Iberdrola facilities are currently under contract to provide RECs to other sellers, it is reasonable to expect that Iberdrola will be able to meet the terms and conditions of the PSA given the large amount of renewable energy capacity that Iberdrola owns.

¹⁶ Map of Iberdrola U.S. Power Assets:
<http://www.iberdrolarenewables.us/pdf/AllAssets.pdf>

Public Safety

California Public Utilities Code Section 451 requires that every public utility maintain adequate, efficient, just, and reasonable service, instrumentalities, equipment and facilities to ensure the safety, health, and comfort of the public.

This resolution approves a PSA. The PSA has terms that assert that both parties to the contract are not in violation of any law, rule, regulation or order or the like applicable to it. Additionally, the PSA does not alter existing power purchase agreements, any facility operations, or BVES' energy portfolio, including the planning and administration of physical power supply contracts. As such, this PSA does not alter the safety and reliability of BVES service. Based on the information before us, these contracts do not appear to result in any adverse public health or safety impacts on the facilities or operations of BVES.

RPS ELIGIBILITY AND CPUC APPROVAL

Pursuant to Pub. Util. Code § 399.25, the CEC certifies eligible renewable energy resources. Generation from a resource that is not CEC-certified cannot be used to meet RPS requirements. To ensure that only CEC-certified energy is procured under a Commission-approved RPS contract, the Commission has required standard and non-modifiable "eligibility" language in all RPS contracts. That language requires a seller to warrant that the project qualifies and is certified by the CEC as an "Eligible Renewable Energy Resource," that the project's output delivered to the buyer qualifies under the requirements of the California RPS, and that the seller use commercially reasonable efforts to maintain eligibility should there be a change in law affecting eligibility.¹⁷

The Commission requires a standard and non-modifiable clause in all RPS REC-only contracts that requires "CPUC Approval" of an agreement to include an explicit finding that "any procurement pursuant to this Agreement is procurement of Renewable Energy Credits that conform to the definition and attributes required for compliance with the California Renewables Portfolio Standard, as set forth in California Public Utilities Commission Decision 08-08-028, as may be modified by subsequent decision of the California Public Utilities Commission or by subsequent legislation, for purposes of determining

¹⁷ See, e.g. D. 08-04-009 at Appendix A, STC 6, Eligibility.

Buyer's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), Decision 03-06-071, or other applicable law.”¹⁸

Notwithstanding this language, the Commission has no jurisdiction to determine whether a project is an eligible renewable energy resource, nor can the Commission determine prior to final CEC certification of a project, that “any procurement” pursuant to a specific contract will be “procurement from an eligible renewable energy resource.”

Therefore, while we include the required finding here, this finding has never been intended, and shall not be read now, to allow the generation from a non-RPS eligible resource to count towards an RPS compliance obligation. Nor shall such a finding absolve a seller from its obligation to obtain CEC certification or absolve the purchasing utility of its obligation to enforce compliance with Standard Term and Condition 6, set forth in Appendix A of D.08-04-009 and included in the PSA. Such contract enforcement activities shall be reviewed pursuant to the Commission’s authority to review the administration of such contracts.

Energy Division review of BVES’ Request to establish a Memorandum Account with respect to the PSA

BVES requests to establish a non-interest bearing memorandum account to track the unrealized gains and losses otherwise imputed to the PSA considered herein as a consequence of complying with the Financial Accounting Standards Board’s (FASB) Statement of Financial Accounting Standards (SFAS) No. 133, “Accounting for Derivative Instruments and Hedging Activities.” BVES asserts that it believes for accounting purposes, long-term power contracts, such as the PSA considered herein, qualify as derivative instruments under SFAS No. 133, which in turn requires BVES to record derivatives on its balance sheet as assets and liabilities, and to measure those instruments at the fair value. BVES thus concludes that applying SFAS No. 133 to the PSA would mean recognizing unrealized gains and unrealized losses on an outstanding contract which would affect reported earnings, even though when the contract is finally settled any

¹⁸ See, e.g. D. 08-04-009 at Appendix A, STC 1, CPUC Approval.

unrealized gains or losses recognized under SFAS No. 133 are reversed.¹⁹ BVES therefore asserts that the separate memorandum account will permit GSWC to more easily and accurately account for unrealized gains or losses for the PSA.²⁰ BVES also notes in AL 277-E that the Commission previously granted similar authority to BVES in D.09-05-025 and D.11-06-030.

We therefore find GSWC's request is reasonable and grant GSWC's request for BVES to establish a non-interest bearing memorandum account to record the unrealized gains or losses with respect to the application of SFAS 133 to the PSA considered herein. We approve this request on the understanding that no actual additional cost will be recovered or refunded that is not directly incurred as a part of the good faith contract performance. BVES shall file a Tier 1 advice letter with language consistent with the tariff language approved in Resolution E-4280.²¹

Energy Division Review of BVES Request to Modify Resolution E-4507

In AL 277-E, BVES requests that Resolution E-4507 be modified such that the long-term contracting rules adopted by the Commission in D.12-06-038 do not apply to the RECs procured pursuant to the short-term RPS contract with Los Angeles County Sanitation District approved in Resolution E-4507, if the RECs procured are applied towards its RPS pre-2011 deficit.²²

Specifically, in Resolution E-4507, the Commission found that:

BVES has not yet met the minimum quantity threshold requirement described above, and the PSA considered herein will not be counted towards BVES' RPS compliance requirements unless it meets the minimum quantity requirement.²³

¹⁹ AL 277-E, p. 16

²⁰ AL 277-E, p. 17

²¹ Resolution E-4280 approved the tariff for the memorandum account authorized by D.09-05-025.

²² GSWC AL 258-E and Resolution E-4507 were served on the service list for R.11-05-005, which is the same list of parties as were served AL 277-E and Draft Resolution E-4604.

²³ Resolution E-4507, Finding and Conclusion 7

As stated above, the Commission adopted a long-term contracting requirement in D.12-06-038. In addition, D.12-06-038 adopted rules for satisfying deficits for years prior to 2011. We agree with BVES that Resolution E-4507 should be clarified with respect to the Commission's rules regarding the long-term contracting requirement and satisfying prior deficits adopted in D.12-06-038. Therefore, we grant BVES' request and modify E-4507 such that Finding and Conclusion 7 is modified to:

BVES has not yet met the minimum quantity threshold requirement described above, and the PSA considered herein will not be counted towards BVES' RPS ~~compliance~~ procurement quantity requirements adopted in D.11-12-020 unless it meets the ~~minimum quantity~~ long-term contracting requirement.

CONFIDENTIAL INFORMATION

The Commission, in implementing Pub. Util. Code § 454.5(g), has determined in D.06-06-066, as modified by D.07-05-032, that certain material submitted to the Commission as confidential should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations. D.06-06-066 adopted a time limit on the confidentiality of specific terms in RPS contracts. Such information, such as price, is confidential for three years from the date the contract states that deliveries begin, except contracts between IOUs and their affiliates, which are public.

The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.

COMMENTS ON THIS RESOLUTION

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS AND CONCLUSIONS

1. The PSA is consistent with BVES' 2012 RPS Procurement Plan.
2. The PSA was evaluated using a least-cost, best-fit methodology.
3. The PSA includes the Commission-adopted RPS standard terms and conditions including those deemed "non-modifiable".

4. Consistent with D.11-12-052, BVES provided information in AL 277-E regarding the expected portfolio content category classification of the renewable energy credits procured pursuant to the PSA.
5. The Commission makes no determination regarding the proposed agreements' portfolio content classification because RPS contract evaluation process is a separate process from the RPS compliance determination and portfolio content category classification.
6. The PSA's prices are below the temporary \$50/REC price cap established in D.10-03-021, as modified by D.11-01-025.
7. Because the PSA is 10 years in duration the PSA will contribute towards BVES' RPS long-term contracting requirement established in D.12-06-038.
8. The total expected costs of the PSA are reasonable based on the PSA's prices relative to BVES' solicitation and BVES' recently executed contracts.
9. Provided that the Renewable Energy Credits are compliant with Standard Term and Condition 6, set forth in Appendix A of D.08-04-009 and included in the PSA, payments made by BVES pursuant to the PSA are fully recoverable in rates over the life of the PSA, subject to Commission review of BVES' administration of the PSA.
10. It is reasonable to expect that Iberdrola Renewables, LLC will meet the terms and conditions of the PSA.
11. Procurement pursuant to the PSA is procurement of Renewable Energy Credits that conform to the definition and attributes required for compliance with the California Renewables Portfolio Standard, as set forth in California Public Utilities Commission Decision 08-08-028, and as may be modified by subsequent decision of the California Public Utilities Commission or by subsequent legislation, for purposes of determining BVES' compliance with any obligation it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 *et seq.*), or other applicable law.
12. The immediately preceding finding shall not be read to absolve BVES of its obligation to enforce compliance with Standard Term and Condition 6, set forth in Appendix A of D.08-04-009, and included in this PSA.
13. It is reasonable to grant GSWC's request for BVES to establish a non-interest bearing memorandum account to record the unrealized gains or losses with respect to the application of SFAS 133 to the PSA.

14. Resolution E-4507 should be clarified with respect to the Commission's rules regarding the long-term contracting requirement and satisfying prior deficits.
15. Finding and Conclusion 7 of Resolution E-4507 shall be modified to:

BVES has not yet met the minimum quantity threshold requirement described above, and the PSA considered herein will not be counted towards BVES' RPS procurement quantity requirements adopted in D.11-12-020 unless it meets the long-term contracting requirement.
16. The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.
17. AL 277-E should be approved without modification.

THEREFORE IT IS ORDERED THAT:

1. The request of Golden State Water Company for Commission review and approval of a purchase and sale agreements for renewable energy credits with Iberdrola Renewables, LLC, as requested in Advice Letter 277-E, is approved without modification.
2. Bear Valley Electric Services shall file a Tier 1 Advice Letter with language consistent with the tariff language approved in Resolution E-4280 to establish a non-interest bearing memorandum account to record the unrealized gains or losses with respect to the purchase and sale agreement with Iberdrola Renewables, LLC approved in this resolution.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on July 25, 2013; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

Confidential Appendix A

Analysis and Summary of the Purchase and Sale Agreement

[Redacted]